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**EX-MANAGER OF HEDGE FUND WHO TRADED CBOE STOCK OPTIONS
INDICTED IN \$21 MILLION INVESTMENT FRAUD SCHEME**

CHICAGO -- An ex-hedge fund manager who allegedly swindled approximately 55 investors of more than \$21 million by purporting to invest in stock options on their behalf was indicted on wire fraud and securities fraud charges, Patrick J. Fitzgerald, United States Attorney for the Northern District of Illinois, announced today. The defendant, **Edward Thomas Jung**, the sole manager of the defunct hedge fund, Strategic Income Fund, L.L.C.; general partner of securities broker-dealer ETJ Partners Ltd.; and a trader on the Chicago Board Options Exchange, was charged in a 10-count indictment that was returned late yesterday by a federal grand jury.

Jung, 57, of 415 West Eugenie, Chicago, was charged with eight counts of wire fraud and two counts of securities fraud. He will be arraigned at a later date in U.S. District Court in Chicago.

According to the indictment, between July 1994 and September 1998, Jung engaged in a fraud scheme in which he falsely represented to prospective investors and investors that their pledged securities and cash would be used solely to conduct stock options trading on their behalf. Instead, Jung allegedly misappropriated the investors' assets to collateralize his own securities trading and other securities trading unrelated to the Strategic Income Fund. Beginning no later than January 1994, Jung also allegedly misappropriated pledged securities and cash for other purposes, including to pay expenses of ETJ Partners, such as lease fees for its seat on the CBOE.

In addition, Jung allegedly misrepresented his trading performance record to prospective investors by distributing written trading track records that inflated the success of his trading for the

fund and failed to disclose the adverse financial impact of his misappropriations. He also allegedly distributed false quarterly statements to investors to retain their investments and to lull them into a false sense of security. The values of the investors' accounts were falsely stated because they failed to reflect any reduction in value caused by the misappropriations.

Beginning in January 1998, the indictment alleges, Jung concealed the fraud scheme and kept it going by depositing investors' assets into a securities brokerage account at a firm different from the one he used originally and then used these pledged securities to trade for his own benefit. Jung also allegedly caused to be prepared and filed false reports with the Securities and Exchange Commission about ETJ Partners and its relationship to the Strategic Income Fund. The SEC reports represented that ETJ owned all of the securities in its accounts and did not carry any customer accounts, when Jung knew that most of the securities belonged to the fund and its investors. In August 1998, Jung caused a false and misleading audit report of the fund to be prepared and distributed to investors, knowing that it failed to disclose that investors' pledged securities and cash were encumbered by Jung's trading unrelated to the fund, according to the indictment.

Mr. Fitzgerald announced the charges with Thomas J. Kneir, Special Agent-in-Charge of the Chicago Office of the Federal Bureau of Investigation, and Mary Keefe, Regional Counsel for the U.S. Securities and Exchange Commission. The government is being represented by Assistant U.S. Attorney Edward Kohler and Special Assistant U.S. Attorney Gregory van Schaumburg.

If convicted, each count of wire fraud and securities fraud carries a maximum penalty of five years in prison and a \$250,000 fine. As an alternative maximum fine, the Court may order a fine totaling twice the gross loss to any victim or twice the gain to the defendant, whichever is greater. Restitution is mandatory. The Court, however, would determine the appropriate sentence to be imposed under the United States Sentencing Guidelines.

The public is reminded that an indictment contains only charges and is not evidence of guilt. The defendants are presumed innocent and are entitled to a fair trial at which the United States has the burden of proving guilt beyond a reasonable doubt.

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